Chapter 1 MCQs for AS Level 9708 Paper 1

Topics:

- **Scarcity**
- **Opportunity cost**
- **Economic Methodology (Positive and Normative)**
- **Classification of goods and services**

Scarcity

1) 9708_M16_12_Q2

What confirms that scarcity exists?

A A product has an opportunity cost.

B The demand for a product has risen.

C The government has set a minimum price for a product.

D The supply of a product has fallen.

2) 9708_S17_11_Q1

What must follow when scarcity exists?

A Consumers have to make choices.

B Governments are unable to supply public goods.

C Producers must be misallocating resources.

D Workers must be earning low wages.

3) 9708_S17_12_Q1

Scarcity means that goods need to be rationed between competing consumers.

Which basis for rationing is the most likely to result in the most equal distribution of goods?

A consumer preference

B market price

C political decision

D seller preference

4) 9708_W17_12_Q1

To overcome the problem of scarcity, countries with few natural resources need to concentrate on the quality of human resources.

Which set of policies would be most appropriate?

	natural resources policy	human resources policy
A	develop renewable energy supplies	improve education and training
B	plan the allocation of resources	discourage automation
C	protect land resources	protect jobs in manufacturing
D	restrict imports of raw materials	restrict influx of skilled migrants

5) 9708_S19_11_Q2

The fundamental economic question is how to meet unlimited wants with limited resources.

What is an example of limited resources?

A insufficient consumer goods in the local shops

B insufficient jobs to allow full employment

C insufficient machinery to produce electrical goods

D insufficient tax revenue to finance building a school

6) 9708_W19_12_Q1

What is correct about scarcity?

A Scarcity affects low income earners only.

B Scarcity forces individuals to make choices.

C Scarcity is removed by periods of falling prices.

D Scarcity will be abolished by advances in technology.

Opportunity cost

1) 9708_M16_12_Q1

An individual has an appointment with his bank manager.

He has a choice between travelling to the appointment by car, or leaving the car at home and travelling by bus and then by train. The costs of the journey are given below.

	$
bus fare	2
train fare	3
car parking charge	4
petrol	2
car wear and tear costs	1

Given this information, what is the opportunity cost to the individual of travelling by car rather than by bus and train?

A $2 **B** $4 **C** $7 **D** $12

2) 9708_S16_11_Q1

A driver makes the following estimates in considering the purchase of a car which she intends to use only when she would otherwise have used public transport.

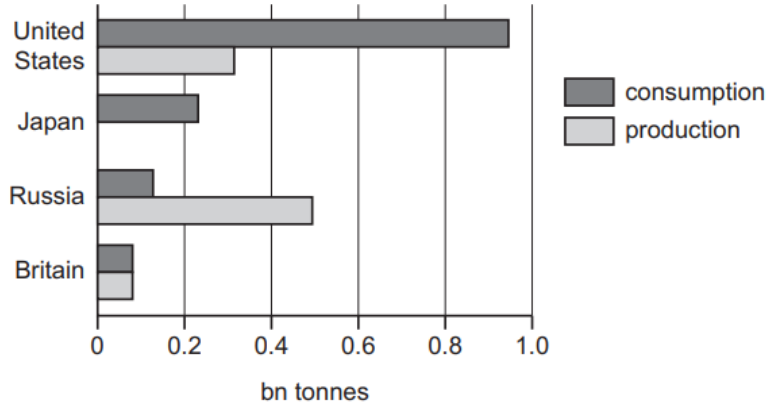
	$
purchase price of car	6000
value of car after one year	4500
car operating and repair costs, insurance and taxation for one year	1800
cost of using public transport for one year instead of travelling by car	800
potential earnings after tax on $6000 invested for one year	500

What will be the opportunity cost in monetary terms to the driver over the year of travelling by car rather than by public transport?

A $1500 **B** $3000 **C** $3700 **D** $7800

3) 9708_S16_12_Q1

In 2007 there was a worldwide shortage of oil. The diagram shows the consumption and production of oil (billion tonnes) in 2007 for selected countries.



What can be concluded from the diagram?

A In Britain, oil had zero opportunity cost.

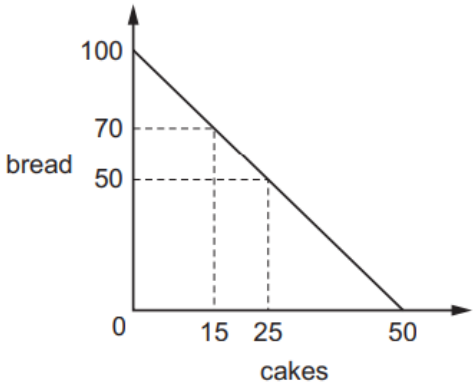
B In Japan, there was self-sufficiency in oil.

C In Russia, there was no shortage of oil.

D In the United States, rationing was the only solution to oil shortage.

4) 9708_S16_13_Q1

The diagram shows different production possibilities for a bakery.



They wish to increase production of cakes from 15 units to 25 units.

What is the opportunity cost?

A 10 units of cake

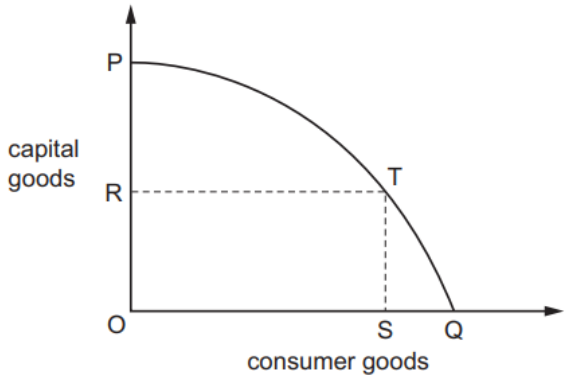
B 15 units of cake

C 20 units of bread

D 50 units of bread

5) 9708_W16_11_Q2

The production possibility curve for an economy producing capital goods and consumer goods is represented by the line PQ.



What is the opportunity cost of producing OS of consumer goods?

A OR of capital goods

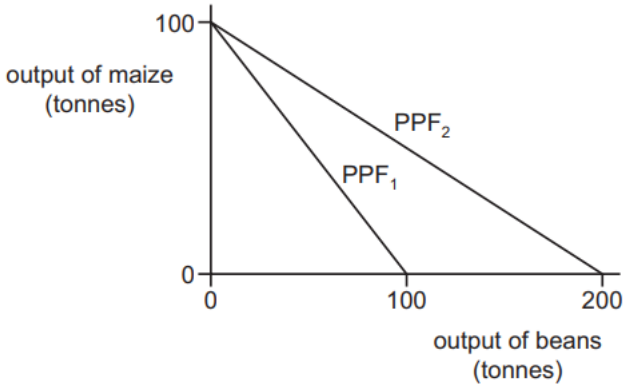
B PR of capital goods

C SQ of consumer goods

D SQ of consumer goods + PR of capital goods

6) 9708_S17_11_Q3

The diagram shows that the production possibility frontier of maize and beans has changed from PPF_1 to PPF_2.

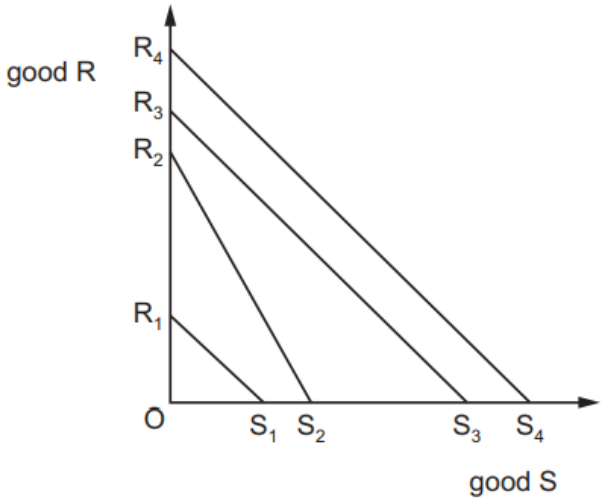


What has happened to the opportunity cost of maize and the returns to factors producing beans?

	opportunity cost of maize	returns to factors producing beans
A	fallen	fallen
B	fallen	risen
C	risen	fallen
D	risen	risen

7) 9708_W17_13_Q3

R_1S_1, R_2S_2, R_3S_3 and R_4S_4 are production possibility curves (PPC) for four different countries 1, 2, 3 and 4.



Which statement about the opportunity cost of good R in terms of good S is **not** correct?

A It is greater at all points on R_4S_4 than on R_3S_3.

B It is greater in country 3 than country 2.

C It is lower in country 2 than country 1.

D It is the same at each point on R_3S_3.

8) 9708_M18_12_Q2

A farmer is able to grow three crops, X, Y and Z, on his land.
The farmer decides to grow at most two crops in any year.
The table shows six possible combinations of units of output of the three crops.

	output					
X	0	0	80	40	40	0
Y	0	60	0	30	0	30
Z	40	0	0	0	20	20

What is the opportunity cost of 1 unit of X?

A 1.33 units of Y

B 1.5 units of Y

C 0.5 units of Z

D 2.0 units of Z

9) 9708_S18_11_Q1

What would be an opportunity cost of growth in an economy?

A the faster growth of services than of manufacturing

B the need for an increased level of imported raw materials

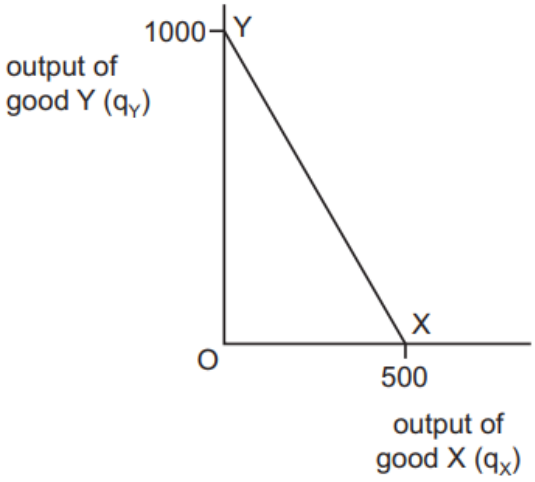
C the need for greater government intervention

D the reduction of consumption if growth requires investment

10) 9708_S18_12_Q2

YX is an economy's production possibility curve (PPC).

The equation of the curve is $q_Y = 1000 - 2q_X$.



What is the opportunity cost of producing one extra unit of good X?

A $\frac{1}{2}$ unit of good Y

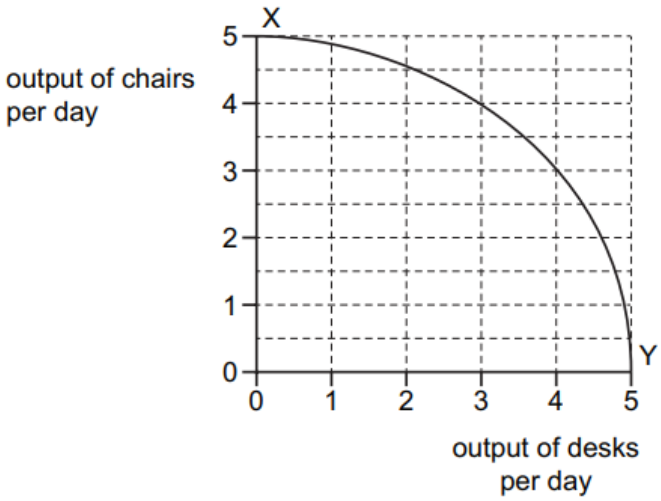
B 2 units of good Y

C 500 units of good Y

D 1000 units of good Y

11) 9708_S18_13_Q1

XY is the production possibility curve (PPC) of a firm that produces desks and chairs.



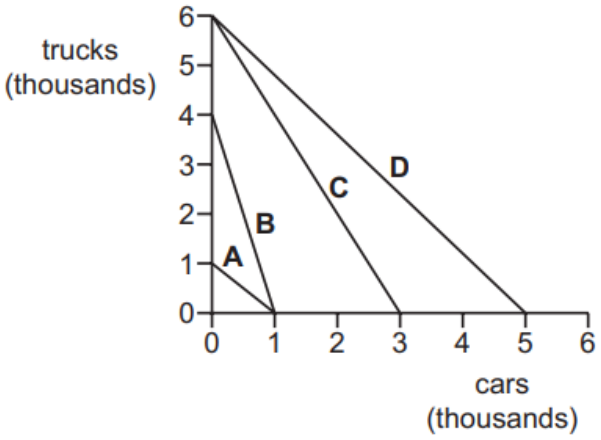
What are the opportunity costs of the 4th and 5th desks produced by the firm?

	opportunity cost of 4th desk	opportunity cost of 5th desk
A	1 chair	3 chairs
B	2 chairs	5 chairs
C	3 chairs	0 chairs
D	4 chairs	5 chairs

12) 9708_W18_11_Q3

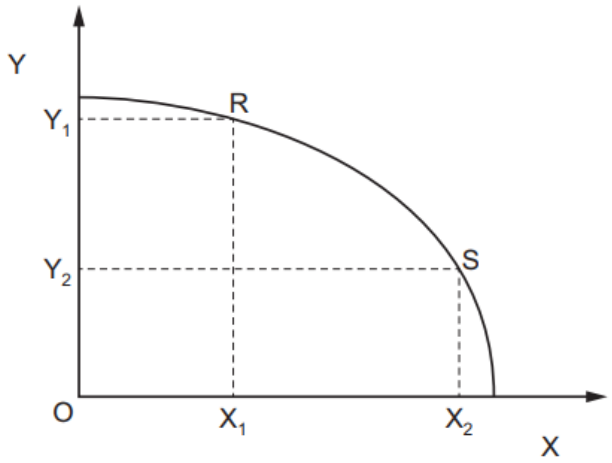
The production possibility curves show the abilities of four economies to produce trucks and cars.

In which economy is the opportunity cost of producing cars lowest?



13) 9708_W18_12_Q2

The diagram shows an economy's production possibility curve for goods X and Y.



What is the opportunity cost of moving from point R to point S on the production possibility curve?

A OX_1 **B** OY_2 **C** X_1X_2 **D** Y_1Y_2

14) 9708_W18_13_Q2

The combinations of output of goods X and Y shown in the table could all be produced using the existing resources in a country to their maximum capacity.

	1	2	3	4	5
X	220	200	180	140	90
Y	10	25	40	70	100

Which statement about the opportunity cost of good Y in terms of good X is correct?

A It decreases as the output of Y increases.

B It is always below 1Y = 1X.

C It is constant throughout the range of output shown.

D It is never above 1Y = 2X.

15) 9708_M19_12_Q4

A student buys a flute for $80 but then is unable to learn to play it. It has a resale value of $50, while the shop retail price of the same type of flute has risen to $95.

What is the present opportunity cost to the student of keeping the flute?

A $30 **B** $50 **C** $80 **D** $95

16) 9708_S19_13_Q1

What is the opportunity cost to a person of spending $20 on a new pair of sports shoes?

A all the other things the person could have bought

B the cost of getting to the sports shop

C the current value of his old pair of shoes

D the next best thing that could have been bought with the $20

17) 9708_W19_13_Q3

An individual has an appointment with his dentist.

He has a choice between travelling to the appointment by car, or leaving the car at home and travelling by bus and then by train. The costs of the journey are given below.

	$
bus fare	2
train fare	3
car parking charge	4
petrol	2
car wear and tear costs	1

Given this information, what is the opportunity cost to the individual of travelling by car rather than by bus and train?

A $2 **B** $4 **C** $7 **D** $12

18) 9708_M20_12_Q2

A worker earns $40 per hour. Rather than work, she decides to visit a museum for three hours. The visit costs a total of $40.

What is the opportunity cost of visiting the museum?

A $40 **B** $80 **C** $120 **D** $160

19) 9708_M21_12_Q1

An American family is choosing between four holiday destinations in Europe, each at the same price. The table shows the family's order of preference for these holiday destinations.

holiday destination	order of preference
Barcelona	1st
London	= 3rd
Paris	2nd
Venice	= 3rd

If the family goes to Barcelona, what is the opportunity cost of this choice?

A Barcelona

B London and Venice

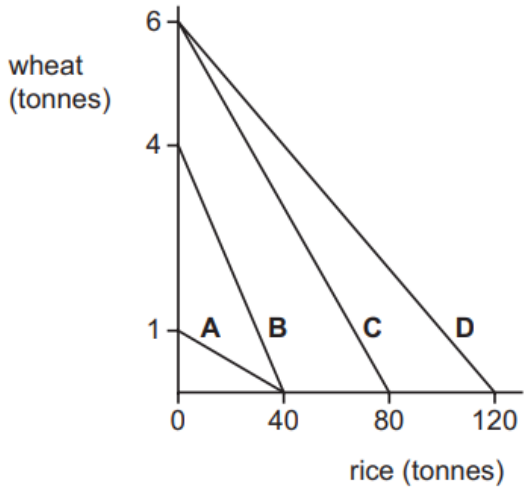
C Paris

D London, Paris and Venice

20) 9708_M22_12_Q4

The production possibility curves (PPCs) show the abilities of four economies to produce wheat and rice.

Which PPC has the lowest opportunity cost for producing wheat?



21) 9708_S22_13_Q3

What does opportunity cost measure?

A the benefits of a good compared with the next choice

B the benefits given up by not consuming the next best alternative

C the costs of any good not chosen

D the financial costs of consuming a good

Economic methodology

1) 9708_W16_11_Q1

To increase production a firm in industry X needs to install capital equipment, while a firm in industry Y needs to research and introduce a new technology.

What time periods are illustrated by these cases?

	industry X	industry Y
A	short run	long run
B	long run	long run
C	long run	very long run
D	very long run	very long run

2) 9708_W16_13_Q1

Why is choice central to the economic problem?

A Different governments have different objectives.

B Firms have access to unlimited resources.

C Most resources have alternative uses.

D People's wants are limited.

3) 9708_M17_12_Q1

The diagram is from a chapter on 'The Economic Problem' in an Economics textbook. It should contain the terms *opportunity cost*, *scarcity* and *choice* in the order that identifies the economic problem.

What is the correct order for the terms to appear in the diagram?

A choice → opportunity cost → scarcity

B choice → scarcity → opportunity cost

C scarcity → choice → opportunity cost

D scarcity → opportunity cost → choice

4) 9708_S17_13_Q1

What is an example of the use of *ceteris paribus*?

A The rate of increase in wage rates equals the rate of increase in price levels.

B There is a constant rise in both wage rates and price levels.

C Wage rates and the price level remain constant at their original levels.

D Wage rates rise when the only change is a rise in prices.

5) 9708_S17_13_Q2

What is always true of a positive statement?

A It is based on statistical data.

B It is possible to test its validity.

C It is the only basis for economic policy.

D It overrides any normative statement.

6) 9708_W17_11_Q1

A teacher asks four students to fill in the gaps in the following sentence.

'A positive economic statement is .....1..... statement that .....2..... be tested using factual evidence, whereas a normative economic statement is .....3..... statement that .....4..... be tested using factual evidence.'

The students' answers are shown in the table.

Which student is correct?

	1	2	3	4
A	an objective	can	a subjective	cannot
B	an objective	cannot	a subjective	can
C	a subjective	can	an objective	cannot
D	a subjective	cannot	an objective	can

7) 9708_W17_12_Q2

A government decides to subsidise farms producing milk in its country.

Which question about this decision is a normative question rather than a positive question?

A How much will milk production increase?

B How should essential products, such as milk, be produced?

C How will employment in the milk industry change?

D How will milk prices change?

8) 9708_W17_13_Q1

What distinguishes the very long run from the long run?

A the ability to change resource allocation

B the ability to change the state of technology

C the absence of government market intervention

D the existence of variable factors of production

9) 9708_M18_12_Q1

Which statement about economics is **not** correct?

A Economic actions can produce unexpected side effects.

B Economic thinking is usually based on logical reasoning at the margin.

C The use of scarce resources to produce a good always has a cost.

D The value of a good or service involves a purely objective judgement.

10) 9708_S18_11_Q2

A ……1…… economic statement is an objective statement that ……2…… be tested using factual evidence, whereas a ……3…… economic statement is a subjective statement that ……4…… be tested using factual evidence.

Which words complete gaps 1, 2, 3 and 4?

	1	2	3	4
A	normative	can	positive	cannot
B	normative	cannot	positive	can
C	positive	can	normative	cannot
D	positive	cannot	normative	can

11) 9708_S18_12_Q1

The statements refer to the proposal to build another runway at London's Heathrow airport.

Which statement is normative?

A Heathrow is the UK's busiest airport and has more flights than any other European airport.

B The airport is highly competitive but there is spare capacity.

C The potential net benefit of expansion is around £5 billion over 70 years.

D We should concentrate on improving the use of existing capacity not build another runway.

12) 9708_S18_13_Q2

A government proposes to introduce a road congestion charge which would require private motorists to pay a toll for road use.

Which statement relating to the proposal is normative?

A Bus passengers will benefit at the expense of motorists.

B Motorists with higher incomes will be prepared to pay the charge in return for reduced journey times.

C Motorists with lower incomes will not be able to afford to use the roads.

D The proposal will be unfair to motorists who have no alternative means of transport.

13) 9708_W18_11_Q1

The demand for a product is inversely related to its price, ceteris paribus.

What does *ceteris paribus* mean in this context?

A Factors affecting demand other than price are held constant.

B Factors affecting price other than demand are held constant.

C Price changes result from changes in demand.

D Price falls result in increased quantity demanded.

14) 9708_W18_12_Q1

Which statement by a company is normative?

A In the past three years we have carried out the biggest merger acquisition in the group's history.

B The business has fallen behind competitors and needs to improve its ethical standards.

C The growth of the business has been in retail and financial services.

D The structure of the business has been simplified.

15) 9708_W18_13_Q1

The statements are from a report by a water company that supplies water to homes and businesses.

Which statement is normative?

A It is important that we continue to invest in our infrastructure.

B Our investment will have wider benefits, attracting visitors to the region.

C We are investing more than ever in the region.

D We use local suppliers on construction projects which boosts the local economy.

16) 9708_S19_11_Q3

Which statement is **not** a positive economic statement?

A An increase in the rate of income tax decreases the wish to save.

B An increase in the rate of income tax has a greater impact the greater the level of income.

C An increase in the rate of income tax causes more hours of work to be supplied.

D An increase in the rate of income tax is the fairest way to finance the national health service.

17) 9708_S19_13_Q2

Which statement is correct?

A In the short run all factors of production are fixed; in the long run all factors are varied.

B In the short run at least one factor is fixed; in the long run all factors can be varied.

C In the short run at least one factor is varied; in the long run all factors are fixed.

D In the short run at least one factor is varied; in the long run at least one factor is fixed.

18) 9708_W19_11_Q1

What is correct for a normative statement?

A It is objective and based on fact.

B It is objective and can be proved correct.

C It is subjective and based on opinion.

D It is subjective and can be reliably tested.

19) 9708_W19_11_Q12

What does the assumption 'ceteris paribus' mean when economists analyse the way in which the quantity demanded of a good changes?

A Changes in quantity demanded can cause changes in any of the other variables.

B Consumer preferences are always assumed to remain unchanged.

C Only one variable is assumed to change while the others remain the same.

D Several variables change simultaneously.

20) 9708_W19_12_Q4

Which is a normative economic statement?

A Money is the least liquid form of wealth.

B Some firms are subsidised by the government.

C Some workers earn more than others.

D Taxes are the best way to discourage smoking.

21) 9708_W19_13_Q1

Which is a positive statement?

A A fall in the value of the Chinese yuan against the US dollar will make Chinese goods more price competitive in the USA.

B Direct taxes are the best fiscal instrument to redistribute income in a developed economy.

C The most important macroeconomic objective of the government is to reduce unemployment.

D The UK government should not renationalise the railway infrastructure.

22) 9708_M20_12_Q3

A newspaper article contains the following comments.

1 The burden of tax should be shifted more to the highest earners.

2 It is in the public interest that key services are nationalised.

Which type of economic statement is illustrated by each comment?

	1	2
A	normative	normative
B	normative	positive
C	positive	normative
D	positive	positive

23) 9708_S20_11_Q2

Which statement is correct?

A Normative economics concerns the description of economic models.

B Normative economics is objective and factual.

C Positive economics can be tested by data and evidence.

D Positive economics is subjective and offers a value judgement.

24) 9708_S20_12_Q2

What would **not** be considered a barter transaction?

A a car repairer undertaking the annual service on a plumber's van in return for the plumber fitting a new sink in the car repairer's kitchen

B a consumer negotiating with a shopkeeper and buying a pair of trousers at US$10 rather than the asking price of US$30

C a graduate student exchanging a set of textbooks for a radio with a student about to start the course

D a train company allowing a phone company to advertise on its trains in return for the right to advertise on the phone company's website

25) 9708_S20_12_Q4

Which statement is normative?

A A minimum wage is the correct government policy to increase the incomes of the lowest paid workers.

B A minimum wage is the lowest amount that employers can legally pay their workers.

C In Pakistan, a minimum wage of 15 000 Pakistani Rupees per month was set on 1 June 2016.

D Setting the minimum wage rate above the equilibrium will result in an excess supply of workers.

26) 9708_S20_13_Q4

Which is a normative statement?

A If interest rates fall consumption is likely to increase.

B If interest rates fall consumption will definitely increase.

C Interest rates and consumption are usually inversely related.

D The rate of interest should be reduced.

27) 9708_W20_11_Q2

Which comment relating to the introduction of charges for previously free medical treatment is normative?

A Fewer people will be able to afford treatment.

B It will be unfair on lower income groups.

C Richer citizens will pay the higher charges.

D Workers' health and productivity will fall.

28) 9708_W20_12_Q3

Below are two statements.

1 A rise in the price of rice is the best way to give farmers in South-East Asia higher living standards.

2 A rise in the price of rice will lead to a fall in demand.

Which row correctly describes these two statements?

	1	2
A	normative	normative
B	normative	positive
C	positive	normative
D	positive	positive

29) 9708_M21_12_Q3

What distinguishes the very long run from the long run?

A the ability to change resource allocation

B the ability to change the state of technology

C the absence of government market intervention

D the existence of variable factors of production

30) 9708_M21_12_Q4

Which statement is a positive statement?

A The distribution of income and wealth in most western European countries is unequal.

B The government ought to increase income tax on high earners.

C There should be more legal rights given to workers to protect their status in the workplace.

D Wages of those on low incomes should be increased.

31) 9708_S21_12_Q4

Which statement would be classified by an economist as a positive statement?

A Balancing the budget cannot be more important than reducing inflation.

B Maintaining the real income of pensioners needs to be a priority.

C The government should increase indirect taxation.

D The government will not increase direct taxation.

32) 9708_S21_13_Q2

Which statement is a normative statement?

A China has never had a balance of payments surplus.

B Higher interest rates might reduce investment.

C Perfect competition is allocatively efficient.

D Welfare payments should be increased.

33) 9708_W21_13_Q4

Which statement is a positive statement?

A Low inflation is preferable to low unemployment as a government aim.

B Low inflation will provide a more stable macro economy.

C The government must intervene in all markets to improve resource allocation.

D The government should cut income tax so living standards can improve.

34) 9708_M22_12_Q2

What is a normative economic action based on?

A fact

B market forces

C opinion

D price changes

35) 9708_S22_11_Q2

The Indian government operates a pension scheme.

Which statement about this scheme would be classed as normative?

A To be eligible, individuals must be above the age of 60 and live below the poverty line.

B In January 2020, eligible individuals aged over 70 received 500 rupees per month.

C In 2018, the Supreme Court said the government must review pension payments because they are unrealistic.

D In January 2020, the Indian government announced that it might increase the payment to 1000 rupees per month.

36) 9708_S22_11_Q3

Economics students have to fill in the gaps in the following passage.

'The three basic questions arising from the economic problem of scarcity are .....1..... to produce, ...2..... to produce, and .....3..... to produce.'

Which combination is correct?

	1	2	3
A	how	when	where
B	how	where	for whom
C	what	how	for whom
D	what	when	where

37) 9708_S22_12_Q1

Which list has the most words that are more likely to relate to a positive statement than to a normative statement?

A describe, better, should, value, emotion

B bias, objective, ought, opinion, tastes

C contestable, is, motive, subjective, moral

D actual, ethics, fact, was, testable

38) 9708_S22_13_Q2

The table shows the amount of direct taxes that different households in the UK paid in 2017–2018.

	bottom 20% of households	second 20% of households	middle 20% of households	fourth 20% of households	top 20% of households
average income (£)	15 300	25 000	34 600	47 600	90 600
direct tax paid (£)	2 000	3 500	6 000	9 500	21 200

Which positive economic statement can be made from the table?

A Direct tax is unfair on the richer households in the UK.

B Direct tax in the UK is a proportional tax.

C Poorer households do not pay enough direct tax in the UK.

D Rich households pay more direct tax than poor households in the UK.

Classification of goods

1) 9708_M16_12_Q4

In 2014, there was an outbreak of ebola, a deadly disease, in West Africa. People obtained information from hospitals, radio broadcasts and notices posted by the roadside on how to prevent the disease from spreading.

How can these sources of information be classified?

	hospitals	radio broadcasts	notices
A	private good	private good	public good
B	private good	public good	public good
C	public good	private good	private good
D	public good	public good	private good

2) 9708_S16_13_Q4

The provision of which service by governments could be explained by the concept of public goods?

A education

B health services

C law enforcement

D public libraries

3) 9708_W16_11_Q4

Very heavy rain often causes houses to flood. The government protects the area with flood defence schemes while households buy sandbags to protect their houses.

How would an economist classify these items?

	flood defence schemes	sandbags
A	merit goods	private goods
B	merit goods	public goods
C	public goods	private goods
D	public goods	public goods

4) 9708_W16_13_Q17

Which goods will be provided only by the government?

A capital goods

B inferior goods

C merit goods

D public goods

5) 9708_M17_12_Q4

Despite much opposition, the local government in a popular tourist resort built a leisure centre and swimming pool which is open to everyone. Many tourists visit the centre. Local residents are charged a lower entry fee than the fee charged to the tourists.

How would economists classify this service?

A It is a demerit good because some people objected to the development.

B It is a merit good because the entry fee is reduced for local residents.

C It is a private good because there is an entry fee for all users.

D It is a public good because it is open to everyone and provided by the local government.

6) 9708_S17_12_Q17

What is an example of direct public provision of goods and services?

A a charity hospital funded by public donations that offers free treatment to the rural poor

B a mobile government library that travels to rural villages offering access to books

C a pharmacy in a local shopping centre that provides treatment direct to the public

D a private school that offers free places to children of low income families

7) 9708_S17_13_Q4

What is an accurate statement about different types of goods?

A Free goods are offered for sale at a loss-making price.

B Merit goods generate more consumer surplus than producer surplus.

C Private goods can be consumed with no opportunity cost.

D Public goods can be used by additional consumers with no extra production cost.

8) 9708_W17_11_Q4

Which types of good are distinguished from one another by the presence or absence of opportunity cost?

A demerit and merit goods

B economic and free goods

C inferior goods and normal goods

D private and public goods

9) 9708_W17_13_Q4

Many governments are concerned that the high sugar content in fizzy drinks might lead to health problems such as obesity. These governments are also concerned about the lack of public awareness of the dangers.

What can be concluded from this?

A Consumers of fizzy drinks have information failures.

B Consumers under-consume fizzy drinks.

C Fizzy drinks are merit goods.

D Fizzy drinks are non-excludable.

10) 9708_S18_12_Q4

Governments provide public goods.

What is an example of a public good?

A the services provided by a defence force

B the services provided by a hospital

C the services provided by a leisure centre

D the services provided by a toll road

11) 9708_W18_12_Q4

A businesswoman sets up a charity to provide toys for young children of low income families.

Which term most accurately describes these toys?

A free goods

B merit goods

C private goods

D public goods

12) 9708_W18_13_Q4

What is a statement of the non-rivalrous nature of public goods?

A It is not possible to stop a non-payer from using the product.

B One person consuming the product does not reduce the amount of it available to others.

C People consume too little of the product because they are unaware of its true benefits.

D There is an unlimited supply of the product.

13) 9708_W18_13_Q17

A flood-control dam is an example of a good provided directly by a government.

Which statement relating to the direct provision of a flood-control dam is **not** correct?

A Direct provision of a flood-control dam allows the government to tackle the failure to provide public goods.

B Direct provision of a flood-control dam forces the government to incur an opportunity cost.

C Direct provision of a flood-control dam involves the supply of a merit good.

D Direct provision of a flood-control dam is an example of government allocation of resources.

14) 9708_M19_12_Q2

'An increase in consumption by one person leaves the benefits available to others undiminished'.

Which good does this statement define?

A a demerit good

B a merit good

C a private good

D a public good

15) 9708_S19_11_Q18

What is **unlikely** to occur with an increase in the provision of public goods?

A consumer non-excludability

B improved use of resources

C opportunity cost

D reduction in tax

16) 9708_S19_12_Q4

What justifies government intervention in the provision of a merit good such as education?

A People who pay for education value it more than those who cannot pay.

B Private schools have more merit than state schools.

C Social costs of providing education outweigh social benefits of education.

D Some consumers do not fully recognise the value of education.

17) 9708_W19_12_Q3

A good's defining quality is that its consumption by one person prevents its consumption by someone else.

How is this good classified?

A a free good

B a non-excludable good

C a non-rival good

D a private good

18) 9708_W19_13_Q2

Which is closest to being a public good?

A electricity

B health services

C street lighting

D water supply

19) 9708_S20_11_Q3

Consumers do not use enough of a product to maximise their private benefit because they have imperfect information about the product.

How would an economist classify this product?

A demerit good

B free good

C merit good

D public good

20) 9708_S20_11_Q18

What is a necessary characteristic of a public good?

A It has a fixed maximum price.

B It has an opportunity cost of production of zero.

C It is non-excludable.

D It is an essential good.

21) 9708_S20_13_Q3

Which type of good is healthcare?

A demerit

B free

C merit

D public

22) 9708_W20_11_Q17

A good is provided by the government. Consumption by one person does not affect the amount of the good available for others.

Which type of good must this be?

A complementary good

B merit good

C private good

D public good

23) 9708_W20_12_Q2

Which statement is correct?

A Private goods are both non-rival and non-excludable.

B Private goods are only provided by the private sector.

C Public goods are both non-rival and non-excludable.

D Public goods do not incur opportunity costs.

24) 9708_W20_13_Q2

What is characterised as a free good?

A one that has zero opportunity cost

B one that is non-excludable and non-rivalrous

C one that is supplied by the government with no charge

D one that receives a 100% government subsidy

25) 9708_W20_13_Q4

A government wants to prevent the spread of an infectious disease by vaccinating all children.

Why might vaccination be classified as a merit good?

A The benefit to society is equal to the benefit received by the individual.

B The good is excludable.

C The good is not vital.

D The good would otherwise be under-consumed.

26) 9708_S21_12_Q1

A tourist visits the coast for a holiday.

On her first day, she visits the local tourist office for information, goes for a swim in the sea, spends the evening enjoying the view of the coastline and rents a campsite for an overnight stay.

Which activities involve economic goods and which involve free goods?

	economic goods	free goods
A	camping and information	swimming and sightseeing
B	information and swimming	sightseeing and camping
C	sightseeing and camping	information and swimming
D	swimming and sightseeing	camping and information

27) 9708_S21_13_Q1

A government department provides milk at no charge to very low income families.

Which term best describes the milk?

A free good

B inferior good

C private good

D public good

28) 9708_W21_12_Q3

What is classified as a public good by economists?

A flood defences

B government-funded hospitals

C government-run national parks

D the internet

29) 9708_W21_13_Q15

Why does the production of public goods have to be financed by the government?

A One person's consumption of a public good means it is not available for anyone else.

B People are able to consume public goods without paying for them.

C Private sector firms will charge a price significantly above cost for public goods.

D The cost of producing public goods is higher in the private sector.

30) 9708_S22_12_Q18

What is **unlikely** to occur with an increase in the provision of public goods?

A consumer non-excludability

B improved use of resources

C opportunity cost

D reduction in tax

Answer Key

Scarcity	
1	A
2	A
3	C
4	A
5	C
6	B

Opportunity cost				
1	A		21	B
2	B			
3	C			
4	C			
5	B			
6	D			
7	A			
8	C			
9	D			
10	B			
11	A			
12	A			
13	D			
14	D			
15	B			
16	D			
17	A			
18	C			
19	C			
20	B			

Economic Methodology			
1	C	21	A
2	C	22	A
3	C	23	C
4	D	24	B
5	B	25	A
6	A	26	D
7	B	27	B
8	B	28	B
9	D	29	B
10	C	30	A
11	D	31	D
12	D	32	D
13	A	33	B
14	B	34	C
15	A	35	C
16	D	36	C
17	B	37	D
18	C	38	D
19	C		
20	D		

Classification of Goods			
1	B	21	C
2	C	22	D
3	C	23	C
4	D	24	A
5	C	25	D
6	B	26	A
7	D	27	C
8	B	28	A
9	A	29	B
10	A	30	D
11	C		
12	B		
13	C		
14	D		
15	D		
16	D		
17	D		
18	C		
19	C		
20	C		